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Report of the Joint Inspection Unit on the national execution of technical cooperation projects

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the Economic and Social Council the report of the Joint Inspection Unit entitled "National execution of technical cooperation projects" (JIU/REP/2008/4).

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NATIONAL EXECUTION OF TECHNICAL COOPERATION PROJECTS

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United Nations, Geneva 2008

EXECUTIVE SUMMARY

National execution of technical cooperation projects
JIU/REP/2008/4

Objectives

To review the evolution of national execution (NEX), and the identification and dissemination of lessons learned and best practices, and related issues including audit, monitoring and evaluation.

Main findings and conclusions

Background

- Key issues have been identified as the stumbling blocks in the implementation of national execution (NEX) projects and programmes. Among the United Nations system organizations different definitions are currently used for national execution as well as for the terms execution and implementation leading to confusion and misunderstanding of the modality. The United Nations system organizations are ruled by various guidelines and procedures for the implementation of NEX projects. NEX is expected to be the norm in the implementation of operational activities. In this context, some United Nations system organizations reserve the right to use NEX in a limited way or not at all.

- A previous Joint Inspection Unit report entitled "National execution of projects" (JIU/REP/1994/9) had stressed the difficulties and problems encountered in the way in which NEX was put into practice, inter alia, the lack of cooperation and coordination between partners and the low involvement of specialized agencies at all levels of the process. While there has been progress in NEX since then, there are still, however, areas that need to be strengthened in order to implement NEX efficiently and effectively with financial savings.

National execution in operation

- The Inspectors noted that the earmarking of the extrabudgetary resources has, in many cases, limited the capacity of organizations in responding to the development priorities of the recipient countries, leading in some occasions to a geographic imbalance in NEX expenditure. In addition, the unpredictability of project support funds associated with voluntary contributions are affecting the planning process as there is no clear indication on how much resources would be available to finance projects in a multi-year planning cycle.

- Training is seen, inter alia, as a type of capacity development activity. Constraints have been identified in the implementation of training programmes, including the lack of clear purpose of training to serve the delivery of project outputs and outcomes. The Inspectors are of the opinion that additional efforts should be made to strengthen the capacity of the recipient government institutions and improve the public professional sector.

- One of the fundamental challenges identified in the execution/implementation of NEX projects and programmes is to see civil society including non-governmental organizations (NGOs) as executing entities/implementing partners in development. NGOs, which are closer to the grassroots communities, have useful expertise to deal with the existing problem, however, some recipient Governments and organizations are fearful of NGOs imposing their own agenda. In this regard, the Inspectors are of the view that NGOs should be used, as appropriate, not to substitute the Government, but to complement it.

- Audit, monitoring and evaluation, are areas that need to be strengthened. NEX audit reports were not always in conformity with the international audit standards. In some cases they were not accompanied by the necessary substantiated documents or reflected inconsistent reporting. This situation led, in some cases, to issuing qualified statements by the United Nations Board of Auditors. Regarding NEX monitoring and evaluation, the Inspectors noted that in certain cases the NEX project manager was substituting the recipient Governments in monitoring and evaluation in spite of the General Assembly resolution 56/201 on triennial policy review, which stipulated that they should be Government-led.

Challenges

- Internal and external challenges have been identified in relation to NEX. In order to face them, more coherence among various United Nations system organizations is required, including further simplification and harmonization of their rules and procedures at the headquarters level in order to ensure the necessary synergies and consistency in NEX implementation at the field level.

- Regarding the role of the United Nations regional commissions, it cannot be underestimated. Their knowledge at the regional and sub-regional level should be used for the preparation of country programmes, particularly in the planning, implementation and follow-up of nationally executed projects particularly addressing cross-border projects. In this respect, the United Nations system organizations should use the Regional Coordination Mechanism (RCM) to facilitate the promotion of joint actions and promote NEX at the regional level.

Conclusions

- The existence of reliable government institutions is a prerequisite for viable NEX projects. Hence, Government-led execution requires implementing partners to assume greater risk and sustained reporting. They should mitigate the risk by promoting sound national policies that advance accountability and build capacity. The lessons learned and best practices of NEX implementation should be widely shared and disseminated among the United Nations system organizations.

Recommendations for consideration by legislative organs

- **The General Assembly, in the context of the triennial comprehensive policy review to be held at its sixty-fifth session, should, on the basis of a report to be submitted by the Secretary-General, invite the Chief Executives Board for Coordination to coordinate the compliance of the provisions of its resolutions, including resolution 62/208 by which it adopted national execution (NEX), as the norm in the implementation of operational activities.**

- **The General Assembly and legislative bodies of corresponding organizations should reiterate that donors should provide less conditioned extrabudgetary contributions, including those financing national execution, with a view to realizing the priorities of the recipient countries and ensuring more flexibility, predictability and geographic balance in NEX expenditures.**

- **The General Assembly, in the context of its triennial comprehensive policy review to be held at its sixty-fifth session, and legislative bodies of corresponding organizations should assist recipient Governments in strengthening their capacity in the accounting and audit field, through focused training as required, to enable them to match international standards.**

- **The General Assembly in its upcoming deliberations on triennial comprehensive policy review , should consider the integration of more rigorous monitoring and evaluation of national execution in country programmes, in particular the Country Programme Action Plan, as appropriate, under the overall leadership of the recipient Government with the assistance of the United Nations system organizations, as required.**

- **The General Assembly, in the context of its triennial comprehensive policy review, and the Economic and Social Council should request the United Nations system organizations to strengthen the coordination with the Resident Coordinator system and the Regional Coordination Mechanism to include the regional perspective and to establish synergies between regional, subregional and national programmes, particularly by addressing cross-border projects.**

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ABBREVIATIONS

ACC	Administrative Committee on Coordination
AfDB	African Development Bank
AU	African Union
AWP	annual work plan
BoA	Board of Auditors
CEB	Chief Executives Board for Coordination
CCA	Common Country Assessment
CCPOQ	Consultative Committee on Programme and Operational Questions
CPAP	Country Programme Action Plan
CPD	Country Programme Document
DESA	Department of Economic and Social Affairs
FAO	Food and Agricultural Organization of the United Nations
HACT	Harmonized Approach to Cash Transfers
HLCM	High-Level Committee on Management
HLCP	High-Level Committee on Programmes
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
IGOs	intergovernmental organizations
ILO	International Labour Organization
IMO	International Maritime Organization
IPSAS	International Public Sector Accounting Standards
ITC	International Trade Centre
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
LDCs	least developed countries
LIFDCs	low-income food-deficit countries
LLDCs	landlocked developing countries
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
NEX	national execution
NGOs	non-governmental organizations
NIM	National Implementation
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OECD	Organisation for Economic Co-operation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
OIOS	Office of Internal Oversight Services
PPM	Programme and Projects Manual
RBB	results-based budgeting
RBM	results-based management
RCs	United Nations Regional Commissions
RCM	Regional Coordination Mechanism
RECs	Regional Economic Communities
SIDS	Small Island Developing States
SROs	subregional offices
SSAs	Special Service Agreements
TCPR	Triennial Comprehensive Policy Review
UNCEB	United Nations System Chief Executives Board for Coordination
UNCT	United Nations Country Team
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework

UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNECA	United Nations Economic Commission for Africa
UNECE	United Nations Economic Commission for Europe
UNECLAC	United Nations Economic Commission for Latin America and the Caribbean
UNESCAP	United Nations Economic Commission for Asia and the Pacific
UNESCWA	United Nations Economic and Social Commission for Western Asia
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office for Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNSAS	United Nations System Accounting Standards
UNWTO	United Nations World Tourism Organization
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
XBs	extrabudgetary resources

I. INTRODUCTION

1. As part of its programme of work for 2008, the Joint Inspection Unit (JIU) conducted a system-wide review of national execution (NEX) of technical cooperation projects in the United Nations system organizations. The review has been suggested by the International Atomic Energy Agency (IAEA) and the United Nations Board of Auditors (BoA).

2. Since the 1970s, the General Assembly has embarked on a process to restructure the United Nations system with the view to enhancing its capacity to deal with the problems of the international economic cooperation and development in an effective manner with the objective to eliminate the inequality that affects vast sections of humanity and accelerate the development in developing countries.[1] Among such initiatives, the Governing Council of the United Nations Development Programme (UNDP) introduced national execution, originally designated as government execution, in its decision 76/57 of 2 July 1976. Subsequently, the General Assembly, in its resolution 47/199 of 22 December 1992, reiterated that national execution should be the norm for programmes and projects supported by the United Nations system.

3. NEX, as a modality of execution of technical cooperation projects and programmes, aims to achieve (a) **greater national self-reliance** by effective use and enhancement of the management capabilities and technical expertise of national institutions and individuals; (b) **enhanced sustainability** of development programmes and projects by increasing national and local ownership and commitment to development activities; (c) **reduction of workload and integration with national programmes** through greater use of appropriate national systems and procedures.[2]

4. The review covered a number of departments and offices within the United Nations system, including the Department of Economic and Social Affairs, the Office of Internal Oversight Services (OIOS) and the Office of the High Commissioner for Human Rights (OHCHR); the United Nations Chief Executives Board for Coordination (CEB); the BoA; United Nations funds, programmes, specialized agencies, and other United Nations entities;[3] the International Atomic Energy Agency (IAEA) as well as the United Nations regional commissions. In accordance with the internal standards and guidelines of JIU and its working procedures, the methodology followed in preparing this report included a preliminary desk review;

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[1] General Assembly resolutions 3172 (XXVIII) of 17 December 1973, 3343 (XXIX) of 17 December 1974, 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, 3281 (XXIX) of 12 December 1974, 3362 (S-VII) of 16 September 1975, and 32/197 of 20 December 1977.

[2] "National execution and implementation arrangements", Administrative Committee on Coordination (ACC), approved on behalf of ACC by the Consultative Committee on Programme and Operational Questions (CCPOQ) at its 13th session, New York, September 1998. See also "National execution: promises and challenges", Office of Evaluation and Strategic Planning, UNDP, New York, 1995.

[3] The United Nations Conference on Trade and Development (UNCTAD), UNDP, the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Human Settlements Programme (UN-HABITAT), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children's Fund (UNICEF), the United Nations Office for Drugs and Crime (UNODC), the United Nations Relief and Works Agency (UNRWA), the World Food Programme (WFP), the Food and Agricultural Organization of the United Nations (FAO), the International Civil Aviation Organization (ICAO), the International Labour Organization (ILO), the International Maritime Organization (IMO), the International Telecommunication Union (ITU), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the United Nations Industrial Development Organization (UNIDO), the United Nations World Tourism Organization (UNWTO), the Universal Postal Union (UPU), the World Health Organization (WHO), the World Intellectual Property Organization (WIPO) and the World Meteorological Organization (WMO).

questionnaires;[4] interviews in Santiago, Geneva, Vienna, New York, Addis Ababa and New Delhi with officials of most of the participating organizations and representatives of the Government of Austria as a donor country, Ethiopia as a net recipient country, and India as both a donor and a recipient country; and in-depth analysis. Comments from participating organizations on the draft report have been sought and taken into account in finalizing the report.

5. In accordance with article 11.2 of the JIU Statute, this report has been finalized after consultation among the Inspectors so as to test its conclusions and recommendations against the collective wisdom of the Unit.

6. To facilitate the handling of the report and the implementation of its recommendations and the monitoring thereof, annex II contains a table indicating whether the report is submitted to the organizations concerned for information or for action. The table identifies those recommendations relevant for each organization, specifying whether they require a decision by the organization's legislative or governing body or can be acted upon by the organization's executive head.

7. The Inspectors wish to express their appreciation to all who assisted them in the preparation of this report, and particularly to those who participated in the interviews and so willingly shared their knowledge and expertise with them.

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[4] Twenty-four questionnaires were sent to the United Nations system organizations, fourteen were received completed, six replied that they do not have NEX, and four did not provide a response.

II. BACKGROUND

A. Key issues for national execution

Terminology governing national execution

National Execution (NEX)

8. The General Assembly, in its resolution 47/199 on the triennial comprehensive policy review (TCPR), introduced government/national execution, and in its subsequent resolutions provided general guidelines and the scope through which NEX is operationalized. Analysing the most recent ones, it is noted how the modality has increased in attention noting that the scope of NEX has been widened over the years (See annex I for policy context of national execution).

9. In 1998 the National Execution and Implementation Arrangements[5] were issued in order to provide common NEX guidelines for the United Nations system organizations, including a definition for national execution.

10. In conducting the review the Inspectors were confronted with different definitions for NEX. Two NEX "definitions" are currently used (see table 1 below for national execution definitions). One definition adopted in 1998 and currently applied, inter alia, by UNICEF and the other established by UNDP, is the reference for some other funds and programmes, such as UNFPA, and specialized agencies.[6]

Table 1

Definitions of national execution

In 1998, ACC issued National Execution and Implementation Arrangements for the United Nations system:
National execution is a method of carrying out programmes and projects where national entities retain the main responsibility for planning, formulating and managing the programme or project supported or funded by the United Nations system, for carrying out the activities and for the achievement of objectives and impact. The national authority becomes accountable for the formulation and management of programmes and projects by the programme country, in close cooperation with other national and United Nations entities.
For UNDP, the definition for national execution is:
National execution is the overall management of UNDP programme activities in a specific programme country carried out by an eligible national entity of that country.

Source: National Execution and Implementation Arrangements, Administrative Committee on Coordination (ACC), New York, September 1998; UNDP Financial Rules and Regulations, May 2005.

11. In this regard, the Inspectors also noted during the course of their review that, in some instances, while the head offices of certain organizations categorically denied the use of national execution, their regional/country offices confirmed that NEX was used by them. This shows evidence that there is still a need to further clarify the definition of NEX in the United Nations

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[5] National Execution and Implementation Arrangements, Administrative Committee on Coordination (ACC), Approved on behalf of ACC by the Consultative Committee on Programme and Operational Questions (CCPOQ) at its 13th session, New York, September 1998.

[6] UNFPA stated that, together with UNDP, NEX was redefined in a harmonized manner. This is reflected in UNFPA country programming policies already in 2004.

system as a whole in order to avoid such confusion with latent ambiguities. Most funds and programmes are in a better situation as they have a clear understanding of the definition of the NEX modality.

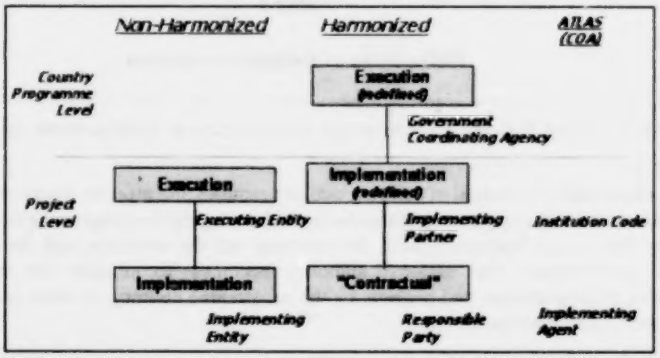
Execution and implementation

12. With regard to the terms "execution" and "implementation", there is a semantic issue within the United Nations system organizations related to the difference between both terms. There is confusion with the terminology, and as a result some organizations in order to describe their operational activities have internally adopted one or the other term without a proper distinction between them.

13. In this context, UNDP and UNFPA in response to the General Assembly resolution 56/201, in which it requested the harmonization of rules and procedures, have taken the leadership by establishing new programming guidelines for United Nations-assisted projects, redefining the terminology and procedures governing NEX. These guidelines redefined the term execution, and implementation to fully implement the common country programming procedures. It is worth noting that the terms "execution", under the non-harmonized programming processes and "implementation" under the harmonized programming processes have the same meaning. (See figure 1 below for terminology shift of execution and implementation).

Figure 1

Terminology shift of execution and implementation



Source: Programme and Project Management Guide, Legal Framework, UNDP.

14. This shift in terminology was established in 2005 for UNDP and UNFPA programme activities, but not necessarily known by the rest of the organizations. In this respect, as UNDP was the central funding mechanism for the United Nations system of technical cooperation and pioneer in the implementation of NEX projects, the Inspectors believe that it would be highly beneficial to extend the same terminology to the rest of the United Nations system organizations in order to clarify this semantic issue and have a common and clear understanding of both terms. Table 2 below shows the different definitions for the terms currently used.

Table 2

Definitions of execution and implementation

Non-Harmonized Programming Processes	Harmonized Programming Processes
The term "implementation" was defined in 1993 by the Consultative Committee on Substantive Questions (CCSQ): *(a)* **Implementation** means the **procurement and delivery** of all programme/project inputs and their conversion into programme/project outputs. The term "execution" was subsequently introduced by UNDP: *(b)* **Execution** means assuming the **overall management** of specific UNDP programme activities and the acceptance of **accountability** to the Administrator for the effective use of UNDP resources.	In response to the adoption of the harmonized programming processes by the United Nations Development Group (UNDG) Executive Committee (ExCom) agencies (UNDP, UNFPA, UNICEF and WFP), UNDP redefined in 2005 the terms "execution" and "implementation": *(b)* **Implementation** means the **management and delivery** of programme activities to achieve specified results including the **procurement and delivery** of UNDP programme activity inputs and their use in producing outputs, as set forth in a signed document between UNDP and the implementing partner. **Execution** means assuming the **overall ownership** and responsibility for specific UNDP programme activities and the acceptance of **accountability** for results.

Sources: a National Execution and Implementation Arrangements (ACC/1993/10), Annex VII, p. 33.
b UNDP Financial Rules and Regulations (FRR); Chapter H, Article 27, Regulation 27.02.

15. Due to the misunderstanding related to the definitions governing NEX, the Inspectors candidly believe that the implementation of the following recommendation is expected to enhance NEX effectiveness.

Recommendation 1

The Chief Executives Board for Coordination should clarify the definitions governing national execution (NEX) and share it with all executive heads of the United Nations system organizations and other NEX-implementing partners.

16. It is worth noting that NEX relates, at present, to country programmes and projects. However, it has been observed that a number of the United Nations system organizations reserve a limited scope for NEX as a modality for the implementation of their programmes and projects. Moreover, some reserve the right to use NEX in a limited way or not at all. One of the reasons provided was that they do not transfer funds directly to recipient Governments. Others stated that even though they sign an agreement with the Government, which is the owner of the project, they remain accountable, within their own systems, for the whole management and reporting of funds channelled through NEX.

17. The Inspectors recognize the importance of NEX as a means of strengthening national capacities and enhancing national self-reliance, and stress the need of its implementation as the

norm for the operational activities as stipulated by the General Assembly in its relevant resolutions. The implementation of the following recommendation is expected to enhance the effectiveness of NEX implementation.

Recommendation 2

The General Assembly, in the context of the triennial comprehensive policy review, to be held at its sixty-fifth session, should on the basis of a report to be submitted by the Secretary-General, invite the Chief Executives Board for Coordination to coordinate the compliance of the provisions of its resolutions, including resolution 62/208, which adopted national execution as the norm in the implementation of operational activities.

Harmonization of NEX guidelines for the United Nations system organizations

18. Several guidelines have been issued on NEX for the United Nations system organizations as well as for UNDP-assisted projects. The most important are the following:

- In 1993, the Consultative Committee on Substantive Questions (CCSQ) introduced the guidelines for National Execution and Implementation Arrangements, defining national execution and providing its guiding principles;[7]

- In 1995, UNDP established the Successor Programming Arrangements, which provided guidelines on NEX, specifying the roles of the various partners;

- In 1998, the Administrative Committee on Coordination (ACC)[8] introduced common guidelines on National Execution and Implementation Arrangements for the United Nations system;[9]

- In 1999, UNDP revised the Successor Programming Arrangements guidelines to facilitate the implementation of NEX;

- In 2005, in response to General Assembly resolution 56/201 on the TCPR requesting funds, programmes and specialized agencies of the United Nations system to further simplify their rules and procedures,[10] the UNDG ExCom agencies (UNDP, UNFPA, UNICEF and WFP) adopted new harmonized procedures for NEX programme preparation and approval; implementation; monitoring; and evaluation and reporting at the field level, namely: the Common Country Assessment (CCA); the United Nations Development Assistant Framework (UNDAF); the Country Programme Document (CPD); the Country Programme Action Plan (CPAP); The Annual Work Plan (AWP); the UNDAF Monitoring and Evaluation Framework; and the Harmonized Approach to Cash Transfers (HACT);[11]

- In 2005, UNDP and UNFPA revised their Financial Rules and Regulations in response to General Assembly resolution 56/201 calling for the harmonization of the

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[7] National Execution and Implementation Arrangements: Report of the consultative committee on substantive questions on its first regular session of 1993 (ACC/1993/10); annex VII; Geneva, 16-19 March 1993.

[8] The former Administrative Committee on Coordination (ACC) is now the United Nations System Chief Executives Board for Coordination (CEB).

[9] National Execution and Implementation Arrangements, approved on behalf of the Administrative Committee on Coordination (ACC) by the Consultative Committee on Programme and Operational Activities (CCPOQ) at its 13th Session, New York, September 1998.

[10] A/56/201, paras. 60-61.

[11] See more details on HACT under chap. III, A, Funding and Expenditure, page 13.

operational modalities, stipulating the regulations for operational processes, including NEX;

- In 2008, UNDP issued the Programme and Operations Policies and Procedures (POPP) providing guidelines on Programme and Project Management; and Financial Management.

19. The United Nations system organizations are ruled by various guidelines and procedures for NEX implementation. At the headquarters level, UNDP has its own Financial Rules and Regulations, which provides the legal framework for the implementation of NEX projects. UNICEF utilizes the "National execution and implementation arrangements" guidelines introduced by the ACC; UNFPA uses their own separate guidelines, which are in line with those of UNDP; and the United Nations specialized agencies and other entities have separate guidelines for the implementation of their technical cooperation projects, but do not have any specific guidelines in particular for NEX projects or for other modalities.

20. The Inspectors strongly believe that within the framework of system-wide coherence, there is an urgent need to harmonize the rules and procedures governing NEX implementation among the United Nations system organizations. The following recommendation is expected to enhance the efficiency of NEX implementation.

Recommendation 3

The executive heads of the United Nations system organizations, as members of the Chief Executives Board for Coordination, should urgently harmonize National Execution (NEX) guidelines through the High-Level Committee on Management, the High-level Committee on Programmes and the United Nations Development Group so that those guidelines may be applicable to all NEX implementing partners, within the system-wide coherence framework and the initiative of "UN Delivering as One".

B. The Joint Inspection Unit report on national execution of projects

21. The objective of the JIU report on national execution of projects (JIU/REP/94/9) was to review the implementation of NEX projects by the United Nations secretariat, funds, programmes and specialized agencies. The report findings emphasized the difficulties and problems encountered in the way in which NEX was put into practice, inter alia, the lack of cooperation and coordination between partners and the low involvement of specialized agencies at all procedural levels.

22. As a result, the Secretary-General issued in 1999 a report following up on the implementation of the recommendations of the above-mentioned report. The following are the responses to the recommendations addressed to funds, programmes and specialized agencies. In this regard, UNDP indicated that with the introduction of UNDAF a higher involvement was expected of both the United Nations agencies in the implementation of joint programmes at the country level, and Governments in the programming processes. In addition, FAO, UNESCO and IMO indicated that they have participated in the formulation of the country framework programme by providing their technical advice.[12]

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[12] Response to recommendation 1 contained in JIU/REP/94/9; see also A/54/223, paras. 236-240. In this context, the Inspectors noted that the introduction of UNDAF in 2005 has tremendously enhanced the involvement of funding agencies, specialized agencies and governments in the formulation of the country

23. UNDP further stated that they decided not to create a specific trust fund, but to mainstream capacity-building in the design of programmes. In this context, UNESCO regularly participated in training programmes for the United Nations Country Teams (UNCTs) at the United Nations Staff College at Turin, and introduced a training programme on the formulation and management of extrabudgetary projects for the field staff. FAO collaborated in training programmes to enhance capacity-building of national officials and experts. IMO allocated resources for training in all of their projects. In addition, an in-house programme was introduced for their senior staff formulated in conjunction with the International Training Centre at Turin.[13]

24. FAO mentioned that they have decentralized a substantial part of the technical staff to regional and subregional levels. UNESCO encouraged field offices in the involvement of programme formulation and execution, several of them actively involved in the preparation of the UNDAF. In addition, a greater number of cooperation for development funds was decentralized to field offices.[14]

25. UNDP also stated that they issued new guidelines (The successor programming arrangements) in 1999 to clarify and facilitate NEX implementation. In addition, FAO made efforts to harmonize and simplify their rules and procedures in relation to project management. The CCSQ defined in 1993 national execution as "a cooperative operational arrangement entailing, inter alia, overall responsibility for the formulation and management of programmes and projects by the recipient country, as well as the latter's assumption of accountability for them",[15] definition adopted by UNDP and reflected in its new programming manual. UNDP indicated that the usage of local resources was stressed. Regarding the remuneration of national project personnel, UNDP and other United Nations agencies collaborated in the formulation of these guidelines.[16]

III. NATIONAL EXECUTION IN OPERATION

A. Planning and designing

Funding and expenditures

26. The resources for technical cooperation projects, including those nationally executed derive from several sources. The main United Nations funds and programmes UNDP, UNICEF, UNFPA and WFP are the principal means through which technical cooperation projects are financed. Their resources are provided entirely from voluntary contributions (core resources and/or non-core resources). Funding may include contributions from the regular budget of a United Nations system organization; intergovernmental organizations arrangements with funding organizations;

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programmes. However, more can be done especially in the selection of civil society including NGOs as executing entities/implementing partners for development, described further in the present report.

[13] Response to recommendation 2 contained in JIU/REP/94/9; see also A/54/223, paras. 241-244. In addition, it was mentioned by WFP that training is currently available for national counterparts and implementing partners in logistics, food storage, etc. DESA referred to the more recent efforts made in training by the United Nations agencies and national partners addressing the operationalization of NEX in the context of the UNDAF.

[14] Response to recommendation 3 contained in JIU/REP/94/9; A/54/223, para. 245.

[15] National Execution and Implementation Arrangements, Report of the consultative committee on substantive questions on its first regular session of 1993 (ACC/1993/10); annex VII; Geneva, 16-19 March 1993.

[16] Response to recommendation 4 of JIU/REP/94/9; see also A/54/223, paras. 246-248.

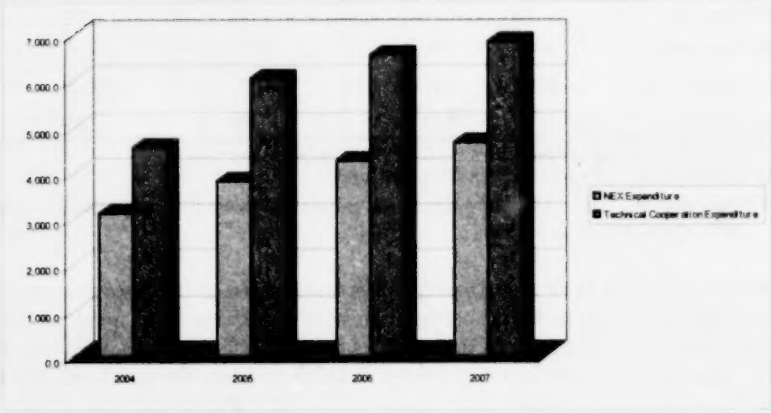
trust funds of various types; cost-sharing; and other sources of funding provided through multilateral agreements within and outside the United Nations system.[17]

27. With regard to the regular programme of technical cooperation and the development account, DESA stated they are funding mechanisms to ensure that the Secretariat's programmes in the economic and social areas have operational resources to assist developing countries in meeting the internationally agreed development goals and the Millennium Development Goals (MDGs). These funds are rarely used to support individual country based programmes, but activities of a subregional/regional and global nature, where agency execution, rather than national execution, is required.

28. An analysis for the period 2004-2007 of NEX expenditures from the main United Nations funds and programmes shows an increase in the delivery. The total of NEX expenditures rose from US$ 3,133.1 million in 2004 to US$ 4,644.63 million in 2007 (a 48 per cent increase), out of US$ 4,534.6 million of the overall technical cooperation expenditure in 2004 and US$ 6,842.7 million in 2007 (a 51 per cent growth), as shown in figure 2.

Figure 2

Evolution of technical cooperation and NEX expenditures, 2004-2007
(In millions of United States dollars)



Sources: Data provided by UNDP, UNFPA and UNICEF; and from the report "Information on United Nations system technical cooperation expenditures, 2006" (DP/2007/42).

29. However, an analysis for the same period shows that among the main United Nations funds and programmes, NEX is far from being the norm in the implementation of technical cooperation projects. While UNICEF informed the Inspectors that all its technical cooperation operations are NEX;[18] UNDP NEX share has declined from a 59 per cent in 2004 to a 52 per cent. UNFPA NEX share also declined over the same period from 26 to 20 per cent, as shown in table 3 below.

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[17] For example, the IAEA Technical Cooperation Fund is financed regularly by assessed voluntary contributions from Member countries, the resources of which reach US$ 80 million yearly; and UNIDO, whose technical cooperation activities are financed mainly from the Industrial Development Fund (IDF), Montreal Protocol (MP), Global Environmental Facility (GEF), European Union (EU), Trust Funds (TF) (Including Multi-Donor Trust Funds).

[18] For UNICEF, the central modality is the Country Programme of Cooperation.

UNFPA stated that NEX is not the only modality to deliver such assistance and particularly in priority areas where the capacity is often lowest and they believe NEX may not always be the most effective modality.

Table 3

Technical cooperation and NEX expenditures, 2004-2007
(In millions of United States dollars)

		2004	2005	in per cent	2006	in per cent	2007	in per cent	in per cent (2004-2007)
UNICEF	NEX Expenditure *(a)*	1,347.7	1,965.5	46	2,118.7	8	2,516.9	19	87
	TC Expenditure *(b)*	1,343.6	1,960.4	46	2,070.3	6	2,446.5	18	82
	NEX Share (%)	100	100		102		103		
UNDP	NEX Expenditure *(a)*	1,675.1	1,779.0	6	2,035.3	14	2,021.4	-1	21
	TC Expenditure *(b)*	2,816.7	3,652.9	30	4,040.7	11	3,860.4	-4	37
	NEX Share (%)	59	49		50		52		
UNFPA	NEX Expenditure *(a)*	97.2	80.0	-18	88.2	10	106.4	21	9
	TC Expenditure *(a)*	374.3	441.9	18	443.7	0	535.8	21	43
	NEX Share (%)	26	18		20		20		

Notes: % Represents percentage increase/decrease from the previous year.
Source: (a) Data provided by UNICEF, UNDP and UNFPA.
(b) "Information on United Nations system technical cooperation expenditures, 2007" (DP/2008/4), p. 9.

30. It is worth noting that WFP at the headquarters level informed the Inspectors that they do not use NEX as they do not do technical cooperation with Governments as much as they do actual delivery and direct implementation of programmes and projects due to its operating environment and WFPs focus on least developed countries (LDCs) and low-income food-deficit countries (LIFDCs).[19]

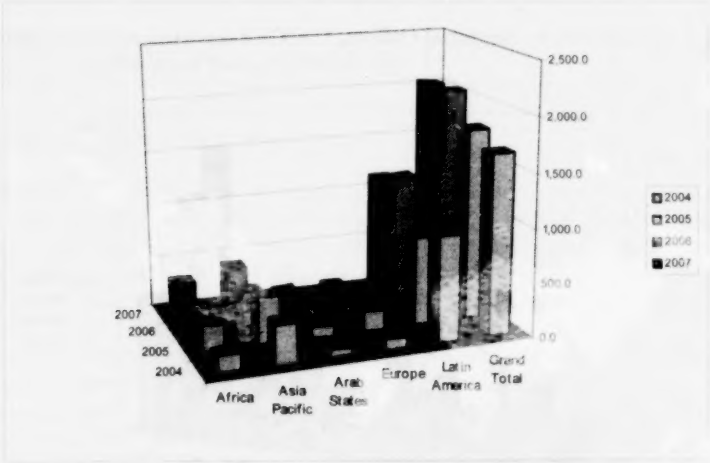
31. The Inspectors also noted that NEX expenditure among the main United Nations funds and programmes implementing NEX present a geographic imbalance. UNDP recorded the highest NEX expenditure in Latin America with US$ 977.6 million in 2004 and US$ 1,134.2 million in 2007 (over 50 per cent of UNDP NEX expenditure); and the lowest in Africa, which recorded US$ 161.4 million in 2004 and US$ 301.9 million in 2007 (less than 15 per cent of UNDP NEX expenditure), as shown in figure 3.

[19] Nonetheless, for WFP, Governments are their main counterparts for the joint development projects taking responsibility for delivery and distribution of food. It is important to note that in the project approval process they will consider whether government involvement in the execution is needed.

Figure 3

NEX expenditures by regional bureaux, UNDP-assisted projects (2004-2007)

(In millions of United States dollars)



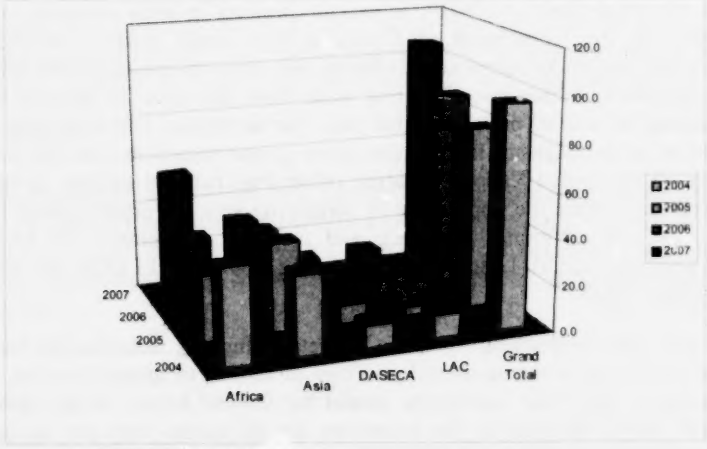
Source: Data provided by UNDP.

32. UNFPA NEX expenditures also showed a geographic imbalance. For example, the Latin America and the Caribbean (LAC) division recorded the lowest expenditures with US$10.6 million in 2004 and US$ 10.8 million in 2007 compared to Africa, which recorded the highest expenditure in 2004 and 2007 with US$ 41.6 million and US$ 54.9 million, respectively, as shown in figure 4.

Figure 4

NEX Expenditures by division, UNFPA-assisted projects (2004-2007)

(In millions of United States dollars)

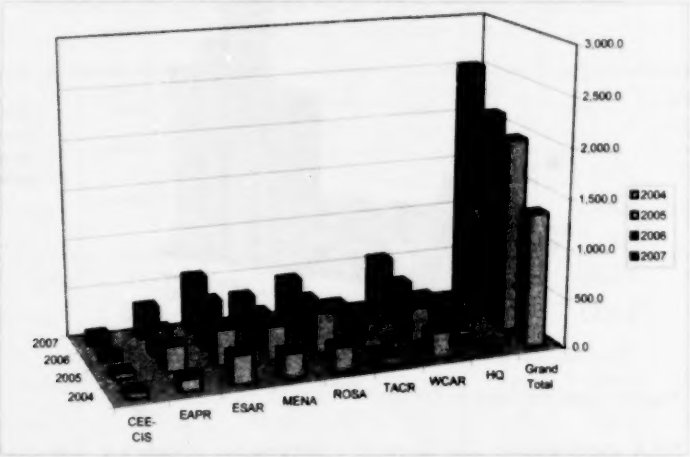


Source: Data provided by UNFPA.
Notes: DASECA: Division of Arab States, Europe and Central Asia.

33. While UNICEF presented a more balanced geographical distribution in NEX expenditure over the period 2004-2007; the Americas and the Caribbean Region (TACR) showed the least expenditure with US$ 84 million and US$ 124.7 million, in 2004 and 2007, respectively, compared to the Eastern and Southern Asia Region (ESAR) that showed over the same period the highest expenditure with US$ 288.4 million and US$ 576.1 million, as shown in figure 5.

Figure 5

NEX Expenditures by Regional Offices, UNICEF-assisted projects (2004-2007)
(In millions of United States dollars)



Source: Data provided by UNICEF.
Notes: CEE-CIS: Central and Eastern Europe, Commonwealth of Independent States
EAPR: East Asia and the Pacific Region; ESAR: Eastern and Southern Asia Region;
MENA: Middle East and North Africa; TACR: The Americas and Caribbean Region
WCAR: West and Central Africa Region; HQ: Headquarters.

34. The Inspectors were informed that this trend was due to, inter alia, the earmarking of extra-budgetary funding targeting populations or specific sectors; and the geographic concentration of fund raising activities in certain regions. It was also explained in the cases where some governments entrusted funds to UNDP, to execute projects in some countries or through cost sharing. Moreover, the Department of Economic and Social Affairs considers that extra-budgetary funding, especially earmarked resources, may have contributed to the reversal of trends in NEX. Furthermore, DESA considers that aside from the issue of misalignment of extra-budgetary funding to national priorities, what may also be stressed and confirmed is whether the conditionality on extra-budgetary funding also place greater responsibilities for management and accountability on the United Nations agencies, rather than national entities. In this respect, the Inspectors wish to reiterate the importance of complying with the priority given by the General Assembly to provide additional assistance and technical cooperation to Africa, the Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) and the Small Island Developing States (SIDS).[20]

35. As a result, the earmarking of extra-budgetary funding has limited the capacity of organizations to respond to the needs and priorities of various recipient countries, in spite of the agreed presumption that NEX operations should be demand-driven. In this context, UNIDO, UNCTAD and WHO indicated to the Inspectors the difficulties they are facing in matching

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[20] General Assembly resolution 62/208.

demand and resources. Despite this fact, the United Nations system organizations have exerted efforts to match the conditions of the donors with the priorities of the recipient countries. Nonetheless, such endeavours did not always yield the desired result due to the conditionalities linked to some earmarked voluntary contributions, thus limiting the organization's flexibility. Hence, organizations, which funds are provided mainly from extra-budgetary funding, plead for transforming them into core resources in order to meet the priorities and needs of recipient countries.

36. In this respect, the Department of Economic and Social Affairs stated that due the limited resources available to the Secretariat entities they have to ensure the effective delivery of their own capacity development programmes. Earmarking such funds for NEX would marginalize their roles and their ability to deliver their programme of work.

37. WHO recognized, though, that working with key partners and donors moves towards acquiring a larger share of predictable, unearmarked, core voluntary contributions to serve its priorities. The Inspectors are of the view that this practice should be extended to other implementing partners in order to help align the resources to the national development priorities formulated in the UNDAF and achieve the objectives of the Millennium Development Goals.

38. Among other issues raised was the unpredictability of the earmarked resources (committed for two years maximum) to correspond with the biennial programme budgets of the United Nations system organizations. The Inspectors are of the view that donors should be encouraged to announce, on indicative basis, contributions for periods over two or three years as the achievement of a greater predictability of extra budgetary resources is an important factor for an efficient flow of funds and resource mobilization.

39. The review undertaken by the JIU entitled "Voluntary Contributions in United Nations System Organizations. Impact on Programme Delivery and Resource Mobilization Strategies" (JIU/REP/2007/1) contained several recommendations out of which, recommendations 1, 2 and 3 referred to the need to mobilize more voluntary contributions for core resources; the need to develop flexible funding modalities such as thematic funding and pooled funding; and the need to review the existing policies and procedures that guide interactions with donor countries to ensure that they are conducted in a systematic and open manner. The Inspectors are of the opinion that XBs should be more flexible, predictable, less conditioned, and better adapted to the development priorities of the recipient countries.

40. The Inspectors are of the view that legislative bodies have a crucial role to play for a greater flexibility of XBs, thus providing more balance and flexibility in their distribution. The following recommendation is expected to enhance the effectiveness of NEX implementation.

Recommendation 4

The General Assembly and legislative bodies of corresponding organizations should reiterate that the donors provide less conditioned extrabudgetary contributions, including those financing National Execution (NEX), with a view to realizing the priorities of the recipient countries; and ensuring more flexibility, predictability and geographic balance in NEX expenditures.

Harmonized Approach to Cash Transfers (HACT)

41. Funds raised for nationally executed projects are transferred to implementing partners through HACT adopted in 2005 by the UNDG ExCom agencies in response to General Assembly resolution 56/201 in which it requested funds and programmes of the United Nations system to further simplify their rules and procedures. With this common operational framework, it has been

stated that the transaction costs will be reduced, the capacity of implementing partners to manage resources will be strengthened, and the risks associated with it will be managed in a more efficient way.[21]

42. HACT includes four cash transfer modalities: direct cash transfers; direct payment; reimbursement; and/or direct agency implementation, which are applied in NEX projects.[22] This framework, which was adopted by the UNDG ExCom agencies, is opened to other United Nations system organizations that wish to adopt these procedures.

43. Organizations that have adopted HACT highlighted its positive side. They have expressed, however, the difficulties with the compliance with HACT because of its slow pace of implementation since 2006 recommending more flexibility. An expansion of its framework including national capacity assessment to deliver development results as well as to procure services and goods were also mentioned. This situation leads, in some cases, to contradictions and difficulties when dealing with the host country. (See more under Challenges, chap. IV, p. 21).

44. While UNDP highlighted the progress of HACT since its implementation in 2007; they stated, however, that in the longer term "HACT framework should perhaps be expanded to include assessment of national capacity to deliver development results (such as programme and project management) as well as procure services and goods". Nevertheless, UNFPA stated that HACT might not provide sufficient assurance to the heads of agencies and the BoA with regard to expenditures incurred under this modality.

45. Moreover, the Department of Economic and Social Affairs considers that HACT should be considered as a useful instrument to strengthen NEX (particularly with regard to capacity assessment), but as long as it is seen as an instrument of the United Nations, rather than a useful instrument for capacity building by national institutions, it will probably have a low level of acceptance and institutionalisation among national institutions.

46. In this regard, the Inspectors were informed that the capacity of some recipient governments is limited in terms of competent human resources to deal with financial issues with an impact on the quality of the financial reporting within the framework of HACT. In several cases, the reporting is not supported by proper proof of expenditure such as invoices or receipts, or presents inaccurate expenditure recording. This resulted in mediocre financial reporting of the expenditure of cash advances, leading to delays on both the cash advancement for the following quarter and, in consequence, the timely implementation of the projects.

47. It was stated, during the UNCT meeting with the Inspectors in India, that there are difficulties with HACT as expenditures cannot always be reported in a three-month timeframe for project activities going beyond this period.

Programme planning

48. NEX projects are supposed to be demand-driven based on the needs of the recipient developing countries. Organizations that have adopted a harmonized programme cycle, a common programming process begins with a CCA, which detects the impediments in the achievement of the national priorities and identifies the capacity development needs of the recipient country. Its objective is to support and strengthen the national analytical processes in order to better respond to the national priorities and achieve the Government commitments to the

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[21] Framework for cash transfers to implementing partners, United Nations Development Group, September 2005.
[22] Idem.

Millennium Declaration (MD), the MDGs as well as other internationally agreed development goals.[23]

49. Where the capacity to implement all/some of the project/programme components is deemed insufficient, especially in the area of qualified human resources, recipient Governments, with the assistance of the United Nations system organizations, formulate country programmes with effective national capacity-building.

50. To this end, UNDAF forms the basis for formulating such programmes for a five-year period to address national development priorities and development effectiveness, the MDGs and other internationally agreed development goals. UNDAF, in order to guarantee its contribution to national development, requires the full leadership and involvement of governments in all phases of the process.[24]

51. A Country Programme Document (CPD) is prepared by each of the UNDG ExCom agencies containing high-level agreements with the Government on strategies, results, resources and partners reflecting the agencies' contribution to the UNDAF. Subsequently, a Country Programme Action Plan (CPAP) is approved and signed by the recipient Government with the funding agency, followed by Annual Work Plans (AWPs) signed by the funding agencies and the implementing partners for NEX implementation within a calendar year. Organizations that have already adopted UNDAF viewed it as a positive means of coordination and integration of the United Nations system organizations working together and coherently in a particular country.

52. Other challenge facing organizations affecting the planning process is the unpredictability of project support funds associated with voluntary contributions. Organizations that depend entirely or mostly on voluntary, earmarked contributions expressed their concern on this subject, as this unpredictability gives no clear indication on how much resources would be available to finance projects in a multi year planning cycle. Furthermore, the lack of commitment of donors supporting projects for several years results in a lack of sustainability of programme delivery in the short and long terms.

Capacity development

53. United Nations development cooperation is the principal means for capacity development (CD) with the objective to achieve the Millennium Development Goals-related national priorities. The General Assembly, in its resolution 62/208 on TCPR, stressed that capacity development is a core function of the United Nations development system and called to further support capacity-building and capacity development of developing countries.[25] Furthermore, it recognized that the ownership of national development strategies is essential for the achievement of the internationally agreed development goals, including the MDGs.

54. In this context, the United Nations system organizations are engaged in building and strengthening the capacity of national institutions to cope with the management and implementation of projects and programmes at different levels. For this purpose, the United Nations development system, mainly through its specialized agencies and IAEA, provide recipient developing countries with technical advice, knowledge transfer, legal expertise, coordination support, training and workshops according to their fields of expertise and capacities.

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[23] Common Country Assessment and United Nations Development Assistance Framework, Guidelines for the United Nations Country Teams on Preparing a CCA and UNDAF, 15 February 2007.
[24] Ibid., para. 6.
[25] See General Assembly resolution 62/208, paras. 35-37.

In some of the cases the capacity development is also provided through the provision of equipment.

55. For this purpose, national consultants are hired and, in most of the cases, paid directly by the organizations. International consultancy is used to the minimum and only in the cases where national expertise is not available especially when the area of expertise of the organization is very rare and the expertise is difficult to find locally, as in the case of IAEA.

56. In this regard, the Inspectors were informed that NEX has been hampered by the low salaries of the national staff recruited to serve NEX projects resulting in a short-term commitment and a high mobility of the nationals, who move to better-paid jobs. This results in repeated trainings leading to implementation delays. (See more below under "Challenges", chap. IV, para. 89).

57. Among other issues raised in the field visits are the constraints identified in the implementation of training programmes. Some organizations endured a lack of a clear purpose in terms of delivery of outputs and outcomes; lack of information on training institutions and availability of programmes; language challenges; lack of transparency in the selection process; lack of monitoring and support during the training programmes; and limited follow-up.

58. In this regard, one of the organizations suggested that training activities should be integrated in NEX programmes and projects with a clear purpose of strengthening the capacity development of the recipient governments and should be seen as a stand-alone activity. The Inspectors were informed that the areas within the NEX framework that needed to be enhanced are, inter alia, project management; logical framework; negotiation skills; partnership; mobilisation and coordination with the host government.

59. In strengthening the capacity development, DESA highlighted the challenge posed by the unpredictability of funding. Hence, if NEX is intended to reinforce national ownership of results, national authorities may be hesitant to enter into NEX arrangements where the commitments to deliver results have no firm and predictable funding.

60. The Inspectors are of the opinion that additional efforts should be made to strengthen the capacity development of recipient government institutions in order to improve the public professional sector and ensure the desired quality of NEX outputs delivery.

B. Execution and implementation arrangements

61. NEX requires optimal implementation arrangements that can guarantee the effectiveness of its activities as well as the quality and sustainability of its outcomes.[26] Nationally executed projects currently operate within two parallel frameworks; one operating through non-harmonized programming processes and other through harmonized programming processes, adopted by the UNDG ExCom agencies to fully implement the common country programming procedures in response to General Assembly resolution 56/201. In this context the programmes and projects are being executed (under the non-harmonized programming processes) or implemented (under the harmonized programming processes) by governments, United Nations agencies, NGOs/inter-governmental organizations (IGOs), or a funding agency (direct execution/implementation).

62. Within the harmonized programming processes, the implementation is entrusted to an implementing partner, which is defined by UNDP as "the entity to which the Administrator has entrusted the implementation of UNDP assistance, specified in a signed document along with the

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[26] National Execution and Implementation Arrangements, Approved on behalf of the Administrative Committee on Coordination (ACC) by the Consultative Committee on Programme and Operational Questions (CCPOQ), at its 13th Session, New York, September 1998, para. 25.

assumption of full responsibility and accountability for the effective use of UNDP resources and the delivery of the outputs".[27] National Implementation (NIM) by government implementing partners, introduced by UNDP, is defined as "a management arrangement whereby a government entity is selected as the implementing partner". The government entities that can be entitled as implementing partners are a ministry within the government, a department within a ministry, or governmental institutions.[28] (See table 4 below for execution and implementation arrangements).

Table 4

Execution and implementation arrangements

National Execution (NEX) *(Under the Non-Harmonized Programming Processes)*	**National Execution (NEX)** *(Under the Harmonized Programming Processes)*
	Execution is undertaken by the *Executing Entity/Agency*, which is the Government Coordinating Authority or Programme Country Government.
Execution is undertaken by an eligible *Executing Entity/Agency*: - Government Execution - UN Agency Execution - NGO/IGO Execution - Direct Execution (DEX)	**Implementation** is undertaken by an eligible *Implementing Partner*: - National Implementation (NIM)(a) - UN Agency Implementation - NGO/IGO Implementation - Direct Implementation
Implementation is undertaken by an *Implementing Entity/Agency*.	**"Contractual"** is a *Responsible Party* contracted by the implementing partners to undertake specific tasks.

Sources: UNDP Programme and Project Management Guidelines.
Notes: (a) UNDP introduced the term "National Implementation (NIM)" for the implementation of UNDP-assisted projects and programmes.

63. One of the fundamental challenges identified in the execution/implementation of NEX is to see the civil society, including NGOs, as executing entities/implementing partners in development. Constraints have been identified with NGO execution/implementation, as central Governments in some countries, want to see NEX as a solely government execution.[29] In addition, partnership with NGOs is not always straightforward, as some recipient Governments and organizations are fearful of NGOs imposing their own agenda. Other obstacles are the financial regulations prevailing in some organizations and the national laws requiring the payment of custom duties and taxes, which are additional burdens posing a great pressure on NGOs taking into account their limited resources.

64. The Inspectors are of the view that NGOs should be present, not to substitute for the Government, but to complement it. In this regard, UNCTAD recognized that NGOs, the private sector and academia in particular, are part of their target audiences in strengthening capacity

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[27] *UNDP Financial Rules and Regulations*, Regulation 27.01 (i), 1 May 2005.
[28] UNDP Programme and Project Management Guides, Selecting and Implementing Partner. See http://content.undp.org/go/userguide/results/?lang=en#top.
[29] It is to bear in mind that there are projects nationally executed in partnership with ILO with its tripartite constituents (Governments, employers and workers).

development in recipient countries. A way to encourage Governments to cooperate with NGOs is by providing best practices from other Governments, as they will trust them, especially if they are coming from the same political set-up.

65. For instance, India has recognized the efficiency of NGOs as implementing partners as they are closer to the targeted grassroots communities, providing them with the required expertise that is necessary to deal with the existing problematic. However, their participation as executing entities/implementing partners of NEX projects is very limited in some other countries due to the modest capacity of some Governments to undertake the necessary capacity assessment of the NGO candidates from the financial, managerial and technical aspects.[30] The following recommendation is expected to enhance the efficiency of NEX implementation.

Recommendation 5

The executive heads of the United Nations system organizations should assist recipient Governments in strengthening their capacity development and capacity assessment; thus enabling them to use civil society including NGOs as implementing partners, as appropriate.

C. Audit, monitoring and evaluation

Audit

66. The audit of NEX projects and programmes cover, inter alia, financial management; human resources selection and administration; management structure; procurement of goods and/or services; record keeping systems and controls; management and use of equipment inventory; project progress and rate of delivery.

67. In this context, those who are entitled to audit NEX projects vary among organizations. The auditing can be conducted by the audit office/department of the organization (UNDP, UNOPS, ILO, WHO); the recipient Government (UNESCO); jointly with the recipient Government (FAO, ILO); external auditors (UNFPA, OHCHR, UNHCR, IAEA, UNCTAD); donors (ILO); or through a tripartite auditing including the donor, the implementing partner and the government (UNODC).

68. The OIOS is not involved in the auditing of NEX in general, while the BoA conducts NEX audits as an external auditor for funds and programmes. In fact, the difficulties mentioned above have been identified by the BoA in its report on "The audit of the accounts for the financial period ended 31 December 2007",[31] which indicates that the financial statements of NEX projects are recurring in deficiencies in the audit process and results, which led them to issue modified audit opinions (UNFPA and UNHCR), in particular:

- UNHCR did not provide a significant number of audit certificates regarding the 2007 expenditure through the national execution modality totalling US$ 287.5 million;[32]

- BoA noted the deficiencies in the audit reports received from UNFPA NEX auditors. Their main concerns relate to the extent of the qualified audit reports, as for certain

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[30] In this regard, UNFPA assesses the capacity of a potential implementing partner in the case of NGO participation.

[31] Concise summary of principal findings and conclusions contained in the reports prepared by the Board of Auditors for the General Assembly at its sixty-third session (A/63/169), paras. 17, 20 and 36-38.

[32] A/63/169, para. 17.

projects, reports were not provided or showed inconsistent reporting standards. In addition, the Board noted shortcomings in the selection and appointment of auditors, and inconsistencies in the logs as well as in the databases of NEX expenditure audit results.[33]

69. The Inspectors were informed that this situation is, in several cases, due to the fact that government baselines do not match the international standards, in addition to the limited capacity of some recipient governments in terms of competent human resources in the accounting and auditing field. In addition, the audit policies and procedures of the organizations do not necessarily coincide with Government procedures, thus creating confusion for NEX auditors as to what set of policies to use as the basis for the audits. It was also mentioned that the decentralization of operations has also made difficult the timely provision of documents to NEX auditors at the central level.

70. The following response was received regarding the constraints encountered while operationalizing the auditing function:

- Lack of resources to adequately manage the function. Additional resources are contracted through the use of Special Service Agreements (SSAs). Audit consultants are assisting with the review and reporting process.

- Another constraint was training and retaining audit consultants to assist with the review and reporting on the audit results every year.

- The large volume of reports, follow-up action plans, data capturing and maintenance, follow-up and reporting of accurate and complete statistics and lack of sufficient resources and a controlled data system have been other constraints.

71. Moreover, in some cases, there is a limited dialogue between the Government, the organization and the auditors during the auditing exercise leading to misunderstandings. Hence, there is a need for additional efforts to strengthen the national capacity in this field. Furthermore, the national auditors, in some cases, mainly from the private sector, do not have the acquaintance with the United Nations System Accounting Standards (UNSAS) nor the International Public Sector Accounting Standards (IPSAS).

72. Among the issues raised is the rupture existing between the administration and the auditing of NEX projects. Agencies seem to understand that the auditing is just one step of the cycle and at the end. This means that a great deal of problems are identified at the culmination stage and not in previous stages, and with process, the audit result is not fitting in the cycle. In this regard, audit procedures need to be reviewed and should not be included at the end, but from the beginning with the implementation process. Reference is made to the case of UNFPA that counts with a great number of external auditors, each following different approaches making the auditing process difficult.[34] Therefore, there is a need to align and harmonize audit rules and procedures at the headquarters level. As the baselines of national auditors of NEX projects are not always matching the international auditing standards resulting in the issue of qualified opinions by BoA, the Inspectors are of the view that there is a need to further strengthen this national capacity.

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[33] Ibid., paras. 20 and 38.

[34] In this regard, UNFPA stated that it has improved its terms of reference (TOR) for auditing NEX projects and continues to improve them. The scope of the audits has been increased. The current TORs provide more details on the work to be performed by the auditors requiring additional certifications and more detailed observations assessing materiality. In UNFPA, the constraints have been the lack of personnel to manage the review of NEX reports, provide feedback to country offices and report results to management. It is worth to note that UNFPA has established a team at the headquarters dedicated to deal with NEX issues specifically, and to look at the overall capacity on NEX.

73. The implementation of the following recommendation is expected to enhance the efficiency of NEX implementation.

Recommendation 6

The General Assembly, in the context of its triennial comprehensive policy review to be held at its sixty-fifth session, and legislative bodies of corresponding organizations should assist recipient Governments in strengthening their capacity in the accounting and audit field, through focused training, as required, to enable them to match the international standards.

Monitoring and evaluation

74. Monitoring and evaluation is an area that is facing weaknesses. The Inspectors noted that in certain cases the NEX project manager is independently undertaking the monitoring and evaluation of NEX projects and substituting, in some cases, the recipient Governments, bearing in mind that the General Assembly has stipulated that the "monitoring and evaluation process, of operational activities, including, where appropriate, joint evaluations by the United Nations system, should be impartial and independent, under the overall leadership of the Government".[35]

75. In other cases; implementing partners had to undertake joint monitoring and evaluation of NEX projects in cooperation with the Government concerned as a result of the weak capacity of some recipient Governments. In addition, some of the funds and programmes assessed the monitoring process of NEX as being, in general, difficult and cumbersome due to government bureaucracy, low efficiency and, in some cases, political interventions. In practice, it is difficult to identify practical and measurable indicators for monitoring due to several impediments, inter alia, results and resources framework and work-plans sometimes lacking specificity; limited capacity of some national implementing partners, which are presumed to monitor NEX projects.

76. In this context, UNDP informed the Inspectors that it had received about 250 evaluations of NEX yearly. UNICEF reported that it had 250 evaluations of government programmes, policies and strategies, many of which receive financial and technical assistance from UNICEF. However, there is no overall evaluation of NEX output deliveries owing to a lack of time and resources. The Inspectors noted that NEX, as a modality and as a norm for the operational activities for development, has not been so far subject to a comprehensive system-wide evaluation from the perspective of efficiency and cost-effectiveness on the basis of the TCPR resolutions of 2004 and 2007, as benchmarks, particularly given that NEX is used in the pilot countries of the United Nations "Delivering as One" initiative.

77. Moreover, the evaluation done by one of the field offices of the specialized agencies had highlighted that if the inherent weaknesses mentioned above are left unattended, would pose significant risks for future activities.

78. The Inspectors were informed that there is no follow-up of the evaluation findings. The main programme (CPAP) conforming to the programme budget is a cycle of two years, in the case of the United Nations and the specialized agencies. As for funds and programmes, as stated by UNFPA, a CPAP and budget cycle is usually five years. Overall, evaluation is weak and not fully effective as there is no impact on the improvement of the programmes.

79. The Inspectors trust that the implementation of the following two recommendations will result in significant financial savings and will enhance NEX efficiency, respectively; and therefore, provide a positive impact in the implementation of NEX operations as a whole.

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[35] General Assembly resolution 56/201, para. 48.

Recommendation 7

The General Assembly, in its deliberations on the triennial comprehensive policy review to be held at its sixty-fifth session, should consider the integration of more rigorous monitoring and evaluation of national execution in country programmes, in particular the Country Programme Action Plan, as appropriate, under the overall leadership of the recipient Government with the assistance of the United Nations system organizations, as required.

Recommendation 8

The executive heads of the United Nations system organizations should give priority to strengthening national evaluation capacities in recipient countries and establish a follow-up process for National Execution evaluation reports in order to ascertain the implementation of the findings and recommendations contained in the evaluation reports.

IV. CHALLENGES

A. Internal and external factors

80. Potential risk factors associated to nationally executed projects are, inter alia:

(a) Lack of professionalism and trust between some funds providers and implementing partners;

(b) Underestimation of project cost;

(c) Lack of project management skills in national counterparts;

(d) Political instability and change of government;

(e) Lack of commitment on the part of some Governments;

(f) Lack of motivation of government staff, and corruption;

(g) Emergency situations, disasters, and likewise, including wars and conflicts.

81. Through the questionnaires and interviews undertaken of NEX implementation, challenges were identified. The main concern is how to achieve development results through capacity development while ensuring compliance with the accountability framework, which should further be clarified.

82. NEX is facing a number of issues related to accountability and risk. These issues can be summarized as follows:

- Due to the evolving nature of national execution/implementation, simplification and harmonization; policies, procedures and prescriptive content sometimes lag behind. This has resulted in occurrences of lack of alignment in terminology, leading to some misunderstandings of the current framework;

- There is a lack of capacity and resources to effectively monitor and control the quality of audits, follow-up on project audit reports, training for Country Offices on how

to deal with audits and how to best utilize their results. NEX audits are based only on the extent of expenditure incurred and does not take into consideration all other relevant risk factors associated with all aspects – both substantive and managerial – related to nationally executed projects at programme countries;

- Some Country Offices have a weak monitoring capacity of programme/project implementation;

- National/Government capacity (or lack thereof) for project implementation both in regards to substantive issues as well as in terms of the financial management of projects are not being fully addressed by the Country Office. Furthermore, national implementation often requires implementation support from Country Offices, and hence, there is additional pressure on the Country Office capacity and resources.

83. Risk management should be an integral part of NEX projects and programmes. HACT provides such a risk management approach and is formally integrated into the common country programming processes. Potential risks that may have a critical impact on the execution/implementation process should be evaluated and properly dealt with in order to ensure the effective execution/implementation of the modality. In this regard, one of the funds and programmes referred to the lack of competent human resources to cope with nationally executed projects; security threats; poor infrastructure; or unreliable communication systems.

84. At the field level, the challenges identified by some of the United Nations system organizations are, inter alia, delays in planning and designing of national programmes and projects; delays in funds transfers, delays in government reporting leading to delays in output delivery; weak salaries of national staff working in NEX; high turnover of staff, and as a consequence, repetition of the same training and waste of resources; poor quality of monitoring and evaluation; standardization; lack of good governance; variation of rules, regulations and procedures between funds, programmes and specialized agencies on national execution/implementation, leading sometimes to confusion and implementation difficulties.

85. Other challenges facing NEX implementation concern cooperation, coordination and communication among the various stakeholders.

(a) Cooperation

86. Lengthy and heavy planning processes are also challenges, especially in seeking approvals for new country programmes of cooperation; lack of synergies persist among country teams, particularly with the vacuum left by the non-resident agencies, with its consequent impact on the UNDAF.

(b) Coordination

87. Too many players have varying degrees of programmatic capacity. In addition, the changing roles of Government institutions have been identified as being among the problems.

(c) Communication

88. Irregular information exchange among funds and programmes and other United Nations agencies on the one hand, with Government bodies, on the other, is a difficulty due to different understandings and interest in issues at stake. United Nations reform and alignment and harmonization are evolving processes.

89. The Inspectors are of the opinion that the country teams should propose adequate remuneration levels for the nationals recruited in NEX implementation units in order to slow

down their fast turnover, to ensure sustainability of the output delivery and realize savings through the rationalization of training.

90. The Inspectors are also of the opinion that the difficulties of cooperation, coordination and communication should be addressed through better coordination and harmonization; and believe the implementation of the following recommendation will enhance NEX effectiveness.

Recommendation 9

The executive heads of the United Nations system organizations should submit proposals to their legislative bodies to further simplify and harmonize the rules and procedures governing National Execution through the Chief Executives Board for Coordination to ensure coherence among the United Nations system organizations at the headquarters and field levels.

B. Regional dimension

91. In 1998, the national execution guidelines of ACC (now CEB) stated that notwithstanding the fact that NEX has been initially formulated for national projects and activities, its principles can be employed in regional and sub regional projects. As regional or subregional intergovernmental entities or recipient Governments can take responsibility in the management of activities on behalf, and in agreement with, the participating countries.[36]

92. In addition, in 2007, the General Assembly, in its resolution 62/208 on TCPR, encouraged "the United Nations development system to strengthen collaboration with regional and sub regional intergovernmental organizations and regional banks, as appropriate and consistent with their respective mandates".[37] Furthermore, it requested "the United Nations regional commissions to further develop their analytical capacities to support country-level development initiatives at the request of the programme countries, and to support measures for more intensive inter-agency collaboration at the regional and subregional levels".[38]

93. Within this setting, all United Nations regional commissions, as well as other regional or subregional entities, could be NEX-implementing partners. Even though the RCs provide intergovernmental frameworks for the cooperation at the regional level, it has been noted, however, that very little has been achieved in the implementation of NEX programmes and projects at the regional level.

94. The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), "directly executes its technical cooperation projects, focusing on regional cooperation". While ESCAP normally does not have NEX projects, certain technical cooperation activities are implemented by national Governments and institutions, in the context of the overall efforts of ESCAP to promote regional cooperation for economic and social development in Asia and the Pacific.

95. The United Nations Economic Commission for Africa (ECA) does not play a role in the context of NEX projects particularly dealing with cross border issues such as water, epidemics, migration and natural disasters. UNECA, however, does actively take part, through its Sub-

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[36] National execution and implementation arrangements, approved on behalf of the Administrative Committee on Coordination (ACC) by the Consultative Committee on Programme and Operational Questions (CCPOQ), at its 13th Session, New York, September 1998, para. 37.
[37] General Assembly resolution 62/208, para. 107.
[38] Ibid, para. 108.

Regional Offices (SROs), in the formulation process of the CCA/UNDAF. In addition, it plays a role as a coordinator at the regional and subregional level within the Regional Coordination Mechanism (RCM) taking into consideration the priorities of the New Partnership for Africa's Development (NEPAD) within the African Union (AU), the African Development Bank (AfDB), and major regional economic communities (RECs) in the mobilization of extrabudgetary resources including for technical cooperation to cope with the needs of member States in line with the Results-based management (RBM). The expansion of the RCM, particularly to UNECA, strengthens the system-wide coherence in the implementation of NEPAD in the framework of the AU capacity building programme, which also serves as an umbrella in the formulation of NEX projects.

96. The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) has a modality for executing the projects, but not through NEX. The interested governments where the Commission has national offices sometimes provide resources to ECLAC to implement specific projects at the national level, and in these cases the funds are centrally managed by the regional commission.

97. For the United Nations Economic Commission for Europe (UNECE), which develops legal instruments, norms, standards and regulations as a means of promoting regional cooperation and integration, NEX is not the main "modus operandi" because of the nature of its work. Nonetheless, NEX components have been steadily increasing in its technical cooperation projects with a view to strengthening country ownership and national capacity of countries with economies in transition for sustainable development.

98. The United Nations Economic and Social Commission for Western Asia (UN-ESCWA) they do not implement NEX projects. However, it provides technical support at the national level to its member countries. Such efforts are undertaken within the framework of advancing regional cooperation for economic and social development.

99. While NEX was conceived primarily for national programmes, projects and activities, the role of the regional commissions cannot be underestimated. In this regard, the ACC (now CEB) stated that their vast knowledge as well as social and economic experience are of great potential for developing networks and partnerships, and suggested that Resident Coordinators consult the RCs in the preparation of the country programmes to include the regional perspective.[39] Thus, synergies between regional and national programmes can be established particularly addressing cross-border issues.

100. UNDP fully subscribes to RCs providing specific expertise to projects including NEX and believes that cross-border projects are considered as regional projects. However, the Inspectors are of the opinion that cross-border regional projects may comprise nationally executed projects in neighbouring countries dealing with issues such as water, meteorology, epidemics, etc.

101. Hence, the Inspectors believe that, while projects in neighbouring countries are nationally executed, they are falling under the regional dimension. In this respect, they are of the opinion that, in line with the "Delivering as One" initiative, the United Nations system organizations should use the RCM to facilitate the coordination and promotion of joint actions with the RCs in cross-border issues to maximize the impact of NEX at the regional level.

102. Furthermore, the Inspectors share the view that the interregional cooperation has been a relatively ignored dimension of multilateral cooperation within the United Nations system. Interregional cooperation calls for more in depth reflection and policy guidance by the Economic and Social Council. In this respect, the Inspectors believe that NEX is one of the fields of

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[39] Operational Activities for Development, note to the Secretary-General (A/50/113/Add.1, para. 10).

interregional cooperation that deserves reflection and policy guidance by the Economic and Social Council.[40] The implementation of the following recommendation will enhance the effectiveness of NEX implementation.

Recommendation 10

The General Assembly, in the context of its next triennial comprehensive policy review, to be held at its sixty-fifth session, and the Economic and Social Council should request the United Nations system organizations to strengthen the coordination with the United Nations regional commissions in the planning, implementation and follow-up to nationally executed projects through the Resident Coordinator system and the Regional Coordination Mechanism, to include the regional perspective and establish synergies between the regional, sub-regional and national programmes, particularly addressing cross-border projects.

V. CONCLUSIONS

103. The Inspectors identified some of the lessons learned on the basis of responses to the questionnaires and interviews, as follows:

(a) NEX promotes reliance on national systems, with more focus on capacity development, sustainability and increase of overall effectiveness of United Nations operations in the field;

(b) To this end, a Government's willingness and commitment are essential to ensure national ownership and leadership. Existence of reliable government institutions is a prerequisite for viable national execution projects. Thus, NEX in general needs a significant investment in strengthening government institutions, and capacity development;

(c) Risk management and capacity development, within the framework of NEX, should be more in focus to ensure the compliance with the United Nations rules and regulations;

(d) The management of resources, including under government regulations and rules, should be carried out in a manner consistent with the financial regulations and rules of the United Nations system;

(e) More training is needed to upgrade the Government auditors in /NEX audits, including training for the use of IPSAS;

(f) Harmonization of policies, terminologies and training packages are major factors in maintaining government focus and reducing transaction costs;

(g) Positioning the NEX projects within the sector programmes and working out modalities in compliance with the indicators of the 2005 Paris Declaration on Aid Effectiveness;

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[40] Regional cooperation in the economic, social and related fields, E/1998/65/Add.1, para. 192.

(h) Based on the lessons learned from the partnership in the United Nations Pilot countries in the "Delivering as One" initiative, a number of corrective actions to NEX implementation have to be taken to improve cooperation, coordination among United Nations system organizations with other partners at the country level, with the view to reinforcing national capacity and government leadership in NEX implementation;

(i) The United Nations system organizations must give greater importance to conducting national capacity assessment (not only the substantive/technical aspects, but also the managerial capacities, including fund management) as part of the CCA/UNDAF process;

(j) The creation of appropriate capacity especially in the poorest countries and post-conflict countries will take time. Hence, government-led execution requires the implementing partners to assume greater risk and sustained reporting. They should mitigate the risk by promoting national policies that advance accountability and build-capacity.

104. The Inspectors identified best practices on the basis of the responses to the questionnaires and interviews, including:

(a) Robust national institutions and infrastructure;

(b) Good governance, sound policies and viable national financial and management structures;

(c) Thorough selection process of implementing partners, including capacity assessment of civil society/NGOs;

(d) Continuous dialogue between funds providers and implementing partners;

(e) Availability of sufficient human and financial resources to deliver on critical issues;

(f) Integrated approaches at all levels are important to bring maximum results with the limited technical and financial capacities of the implementing partners;

(g) Viable national auditing, monitoring and evaluation capacity.

105. With the view to share and disseminate NEX best practices among the United Nations system organizations, UNDP suggested developing a knowledge-sharing strategy through the United Nations Development Group (UNDG), particularly within the UNDG Coordination Practice Network.

Recommendation 11 below is intended to disseminate lessons learned and best practices among all the United Nations system organizations.

Recommendation 11

The executive heads of the United Nations system organizations should share and disseminate lessons learned and best practices of National Execution (NEX) programmes and projects to all the United Nations system organizations within the framework of the Chief Executives Board for Coordination, in particular the United Nations Development Group with the view to improving NEX implementation and practices.

Annex I

Policy context for national execution

In 1992, GA TCPR Resolution 47/199 reiterated that national execution **should be the norm**, taking into account the needs and priorities of recipient countries.

In 1995, GA TCPR Resolution 50/120 decided that the United Nations system should continue to work on **improving the definition and guidelines** for national execution and the programme approach.

In 1998, GA TCPR Resolution 53/192 **provided a wider scope** for national execution and:

- Decided that the United Nations system should use, to the fullest extent possible and practicable, available national expertise and indigenous technologies;
- Called upon funds and programmes to consider ways to increase the procurement of goods and services from developing countries, to promote south-south cooperation and enhancing national execution;
- Called for further work on the development of common guidelines at the field level for recruitment, training and remuneration of national project personnel, including national consultants in order to enhance coherence in the system;
- Requested United Nations system organizations to continue to work on promoting, improving and expanding national execution

In 2001, GA TCPR Resolution 56/201 **reiterated** that the United Nations system:

- Should use available expertise and indigenous technologies;
- Should develop common guidelines at the field level for recruitment, training and remuneration of national project personnel, including national consultants for the formulation and implementation of development projects and programmes;
- Requested funds, programmes and specialized agencies to simplify further their rules and procedures, inter alia, procedures for implementing programmes and projects.

In 2004, GA TCPR Resolution 59/250 **widened slightly the scope** of national execution and reiterated that the United Nations **development** system:

- Should use, to the fullest extent possible, national execution and available expertise and technologies **as the norm in the implementation of operational activities**.

In 2007, GA TCPR Resolution 62/208 **widened even more the scope** of national execution and

- Reiterated that the United Nations development system should use, to the fullest extent possible, national execution and available expertise and technologies as the norm in the implementation of operational activities **by focusing on national structures and avoiding, wherever possible, the practice of establishing parallel implementation units outside of national and local institutions.**

Source: General Assembly resolutions on the TCPR

Annex II

Overview of action to be taken by participating organizations on JIU recommendations

JIU/REP/2008/4

		Intended impact	United Nations, its funds and programmes												Specialized agencies and IAEA												
			United Nations*	UNCTAD	UNODC	UNEP	UN-HABITAT	UNHCR	UNRWA	UNDP	UNFPA	UNICEF	WFP	UNOPS	ILO	FAO	UNESCO	ICAO	WHO	UPU	ITU	WMO	IMO	WIPO	UNIDO	UNWTO	IAEA
Report	For action		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
	For information		☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 1		e	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 2		e	L																								
Recommendation 3		g	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 4		e	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 5		g	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	L	L	E	L	E
Recommendation 6		g	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 7		f	L																								
Recommendation 8		g	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 9		e	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 10		e	L																								
Recommendation 11		b	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E

Legend: L: Recommendation for decision by legislative organ
E: Recommendation for action by executive head
☐: Recommendation does not require action by this organization

Intended impact: **a:** enhanced accountability **b:** dissemination of best practices **c:** enhanced coordination and cooperation **d:** enhanced controls and compliance **e:** enhanced effectiveness **f:** significant financial savings **g:** enhanced efficiency **o:** other

Covers all entities listed in ST/SGB/2002/11 other than UNCTAD, UNODC, UNEP, UN-HABITAT, UNHCR, and UNRWA.